IN THE UNITED STATES DISTRICT COURT MIDDLE DISTRICT FOR TENNESSEE

MOTHY ALLEN ATCHISON
Plaintiff,
UBBELL INDUSTRIAL CONTROLS, INC.
Defendants.

ATCHISON COMP. EX.2

joint venture

business plan



From: "tjatchison@netzero.net" <tjatchison@netzero.net>

To: vhinton@consolidated.net

Sent: Tue, Sep 20, 2005 08:03 PM

Subject: Re: Business Plan

Good evening. I am sorry to hear the bit of unanticipated news, but I can certainly understand the banks position in this matter. I bet this was quite a surprize. Nonetheless, thank you for providing the update. Please keep me informed, and if I can be of any help please let me know.

Best regards, Tim Atchison

-- "Vance Hinton" <vhinton@consolidated.net> wrote: Gentlemen,

I visited our bank today to drop off some information that they had requested, and I received some disappointing news. The bank representative indicated that we will not be allowed to utilize our current available working capital line of credit towards establishing a new division, and we must receive prior bank approval on a complete, detailed, minimum 3 year business plan (they preferred 5 year, but since we are a good customer a 3 year plan will suffice) on the proposed new division. Since our company has grown so quickly (and is still growing), our current, established working capital line must stay available and committed to Powerohm Resistors, Inc., and we will have to have an increase approved to cover the new division working capital requirements.

A detailed business plan (like what our bank expects) will take some time to prepare, and we will need to get quite a bit of information together so this plan can be done. Once submitted to the bank, we will have to wait for loan committee approval, which may take a week or so after submittal.

Since our request may not be granted an automatic acceptance (I don't anticipate any problems, but one can never be certain) it would be wise for you guys to hold off on making any moves until we know for sure the outcome.

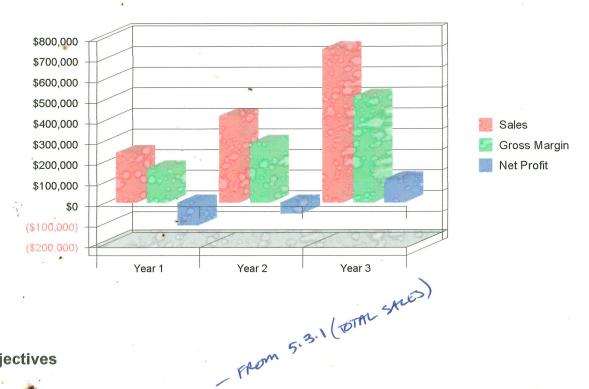
I was under the impression that we could use our established working capital line for any purpose, but this isn't the case (I guess it pays to know what's contained in the fine print). I'm not optimistic that we will be able to move on this in time to allow for your termination as of October 10, 2005. I'll get with Richard and our CPA to see about putting the required formal business plan together, and I'll let everyone know what information will be needed in order to complete the business plan, and about how long it may take. My sincere apologies for the unforeseen delay.

Sincerely,

Vance Hinton

1.0 Executive Summary





1.1 Objectives

- 1. Achieve earnings of \$500,000 in the first year of operation.
- 2. Maintain inventory levels for immediate customer needs and fast delivery schedules.
- 3. Grow sales to \$1.5M in second year (FY2007) and increase sales by 50% to \$2.25M in third year (FY2008).

1.2 Mission

Our mission: Combining a well established electronic / engineering team with great sales experience with a highly respected and well known resistor manufacturing group into a one-stop source for a comprehensive reliable line of power electronics.

To provide quality products and services at lower cost's than competetors while maintaining high standards and superior performance that meet the needs of industy.

Maintain inventory levels for immediate customer needs and fast delivery



(0)

Case 3:24-cv-00922

Confidentiality Agreement

	The undersigned reader acknowledges that the information provided by in this business plan is confidential; therefore, reader agrees
	not to disclose it without the express written permission of
	It is acknowledged by reader that information to be furnished in this business plan is in all respects confidential in nature, other than information which is in the public domain through other means and that any disclosure or use of same by reader, may cause serious harm or damage to
	Upon request, this document is to be immediately returned to
	Signature
	Name (typed or printed)
	Date
٠,	This is a business plan. It does not imply an offering of securities.

Table of Contents

1.0	Execut	ive Summary	
	1.1	Objectives	
	1.2	Mission	2
	1.3	Keysto Success	2
2.0	Compa	nny Summary	3
	2.1	Company Ownership	3
	2.2		3
3.0	Produc	ets and Services	5
4.0	Marke	t Analysis Summary	6
	4.1	Market Segmentation	
	4.2	Target Market Segment Strategy	8
	4.3	Service Business Analysis	8
		4.3.1 Competition and Buying Patterns	9
5.0	Strateg	gy and Implementation Summary	9
	5.1	Competitive Edge	10
	5.2	Marketing Strategy	
	5.3	Sales Strategy	
		5.3.1 Sales Forecast	
	5.4	Milestones	13
6.0	Manag	gement Summary	16
	6.1		
7.0	Financ	ial Plan	17
	7.1	Start-up Funding	17
	7.2	Important Assumptions	18
	7.3	Break-even Analysis	18
	7.4		20
	7.5	J	23
	7.6	Projected Balance Sheet	
	7.7		25
Ann	andiv		27

1.0 Executive Summary

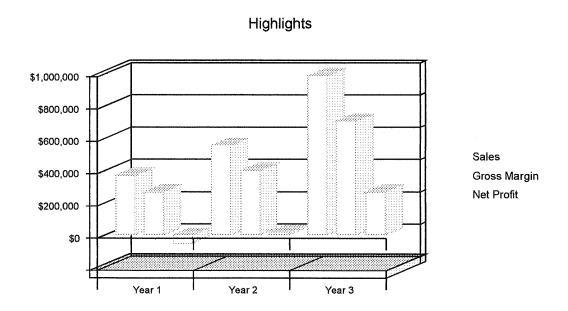
Power Electronics located in Nashville, TN is a new Industrial Electronics Manufacturer dedicated to provide our customers with the products they need in a timely manner that are reliable, quality made and thoroughly tested for proper operation.

Comprised of three personnel that the industry is very familiar with, we expect sales and profits to exceed this plan within in first year. Growth of this company is completely unit sales driven and will more than likely increase two-fold at the first year end point.

Plan Highlights:

Establishing products that will exceed any other in the market, yet are less expensive than those currently available.

Introduction of industry requested, state-of-the-art products that are leading edge technology driven, such as Ultra-Capacitor systems.



1.1 Objectives

- 1. Achieve earnings of \$500,000 in the first year of operation.
- 2. Maintain inventory levels for immediate customer needs and fast delivery schedules.
- 3. Grow sales to \$1.5M in second year (FY2007) and increase sales by 50% to \$2.25M in third year (FY2008).

1.2 Mission

Our mission: Combining a well established electronic / engineering team with great sales experience accompanied by a highly respected and well known resistor manufacturing group into a one-stop source for a comprehensive reliable line of power electronics.

To provide quality products and services at lower cost's than competitors while maintaining high standards and superior performance that meet the needs of industry.

Maintain inventory levels for immediate customer needs and fast delivery schedules.

1.3 Keys to Success

Experience within industry

Combined years of Experience - 45+ years

Relationship with existing customer base

Maintain inventory of products for immediate customer support

Vast experience with custom designs in a fast manner

Leadership, Coordination, and Organizational skills

2.0 Company Summary

Products will include Drive System Accessories in the form of Braking Transistors, Line Regen Modules, Resistors, Capacitive Energy Storage / Retrieval.

Customer base is comprised of Drive Manufactures, Distributors and Integrators of Industrial Systems

Located in Nashville, TN while the main office is in Katy, TX with a branch in Florence, KY.

2.1 Company Ownership

Power Electronics is a Division of PowerOhm Resistors, America's choice for resistive braking components.

2.2 Start-up Summary

Start-Up Expenses

Legal and Insurance - Unknown

Rent: Based on building size of approximately 2500 square feet, including Office and Warehouse space. \$1500.00 per month. 1 Year contract minimum required, lower monthly rent can be achieved with longer contract term.

Phone System: Consist of watts line program and /or service provided from Powerohm.

Computer: Consisting of 3 DeskTops and 1 Server for Manufacturing and Daily Sales / Data storage, copier, and Printers.

Office Supplies: Routine and daily supplies. Paper, inks, notepads, staplers, pens and personal hygiene needs.

Design and Manufacturing Software: CAD circuit Design, Filemaker Pro and Inventory Database software.

Start-Up Assets

Cash Required: Based on calculations within this plan, we would need \$168,000 to cover all operations until such time profits would be self-sustaining.

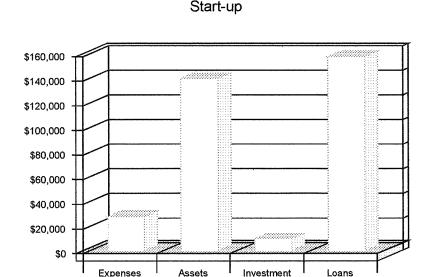
Start-Up Inventory: Includes initial Transistor Product Line to be built for inventory.

Other Current Assets: Components for initial product line manufacturing and circuit assembly.

Long-term Assets: Include Desks, Chairs, File Cabinets, Tools, Test Equipment, and shipping/moving equipment. Storage Equipment.

Tab	le:	Sta	rt-up
-----	-----	-----	-------

Start-up	
Requirements	
Start-up Expenses	
Legal	\$0
Insurance	\$0
Rent	\$18,000
Computer	\$2,500
Office Supplies	\$1,000
Design and Manufacturing Software	\$3,000
Phone System	\$3,500
Other	\$0
Total Start-up Expenses	\$28,000
Start-up Assets	
Cash Required	\$110,000
Start-up inventory	\$10,000
Other Current Assets	\$11,000
Long-term Assets	\$9,000
Total Assets	\$140,000
Total Requirements	\$168,000



3.0 Products and Services

Our mission is to provide industrial electronics made in the USA for global distribution.

Products:

Industrial electronics for the purpose of energy control based upon application requirements. This may include the dissipation of excess energy, storage of excess energy, and or temporary supply of energy during power interruption. This will be initiated starting with the least involved modules to move into production.

Services:

Engineering:

To provide consultation to engineers and technicians in the industrial field.

To provide specialized designs and custom manufacturing at competitive prices and extremely fast delivery.

Technical and application support for electronic products along with parent company resistor products.

Repair Services:

To provide prompt repair of our product as well as competitors when necessary.

Provide on site technical assistance for troubleshooting and / or start-up installation.

4.0 Market Analysis Summary

Power Electronics will focus on the Drive Specialists and Engineers associated with all major industrial distributors and Integrators. Our products are used in almost every industrial process, including Cranes, Conveyors, Centrifuges, Milling, Mining, Fabrics and Plastics, Medical, Chemical, Integrated Circuit Wafer, Motor test stands, and Fans just to name a few.

The Distribution network for these products is immense and includes major manufacturers of Drives, including Rockwell Automation, McNaughton-McKay Electric Company, OMRON IDM Controls, Motion Industries, Champion Elevators, and numerous other exclusive distributors of Drive Manufactures. Our products are for use with all AC Variable Drives and do not require special setup for the different types of Drives.

4.1 Market Segmentation

Manufacturers

Manufacturers will consist of companies that produce VFDs but have not developed adequate peripherals for all applications. Large companies would not find it practical to design for all applications for one particular VFD series.

Distributors:

Distributors will consist of those companies that only buy and resell electronic equipment to either integrators or actual end users. Distributors typically buy in higher volumes.

Integrators:

Integrators are the companies in which the systems are designed and constructed for specific applications. Integrators will usually consider all accessories that will need to be provided with the VFDs. There will be an occasional oversight in which accessories must be obtained sooner than can be provided by VFD manufacturers.

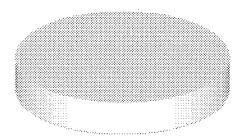
End User:

End users will most often be directed through one of our other sales channels such as distributors, however there will be an occasion in which our product will be needed for an emergency purpose. End users will be required to purchase by means of credit card or other guaranteed / secured transaction.

Table: Market Analysis

Market Analysis							
		Year 1	Year 2	Year3	Year4	Year 5	
Potential Customers	Growth						CAGR
Manufacturers	10%	100	110	121	133	146	9.92%
Distributors	10%	5,000	5,500	6,050	6,655	7,321	10.00%
Integrators	10%	10,000	11,000	12,100	13,310	14,641	10.00%
End Users	10%	200,000	220,000	242,000	266,200	292,820	10.00%
Total	10.00%	215,100	236,610	260,271	286,298	314,928	10.00%

Market Analysis (Pie)



Manufacturers
Distributors
Integrators
End Users

4.2 Target Market Segment Strategy

Power Electronics is in a unique position. Several Integrators are in the process of upgrading the older outdated systems and installing new and state of the art systems. We are involved with 4 companies that will require our services for their immediate and future needs. We have worked with these companies at previous employer, and have provided systems that exceeded their requests. Because of the relationships generated and the products outstanding performance, these companies appreciate the detail and scope of our designs and are very loyal to us.

There are many, many more companies that we have provided these same services and products for and will most likely require our services in the future.

4.3 Service Business Analysis

We are interested in filling small needs in the industrial electronics market. The needs would consist of the following.

This industry provides specialized products that prolong the life expectancy of motors, reduce down time of critical applications and maintain a tight tolerance over speed verses time. Drive manufacturers also have these products but for a limited use basis. Most drive manufacturers do not maintain enough "on-hand" stock to satisfy the end-users needs, and if they are available, generally you would have to purchase a quantity of product for one application.

Our industry takes full advantage of this by providing one or two modules for the application. This eliminates long lead times and is a lower cost for the end-user. Another advantage is that these modules are not application dependant, but rather can be used generically for the majority of application situations.

Competition is limited to the Drive Manufacturers and a few small businesses, like ourselves. Our advantage is 3 fold:

- -Direct tie to the Resistor Manufacturer (PowerOhm)
- -Previous employer now competition, is loosing 2 design engineers and 1 sales person.
- -Ability to take customer requirements from concept to manufacturing in a very short period of time.

We are committed to providing prompt customer support and assistance for our products along with being familiar with many other products and applications being used. This "free" support is another means of building customer relations and in turn generating more business.

4.3.1 Competition and Buying Patterns

The general nature of this business is based on price and availability of products. When a customer has a need for the product it is possible they did not consider it in the planning stages and now have an immediate need. Without our product it would cost them time, money and most importantly, product not being able to ship for market.

We are able to provide the right module in a short period of time and generally less expensive than any other competitor in this market.

5.0 Strategy and Implementation Summary

Although this plan is based on very conservative numbers, we expect reality to be much higher based on previous employment facts.

Based on previous employers decisions and business practices, there is a huge opportunity for this new business to take off in a hurry. Briefly, previous employer has made bad hiring decisions, is reluctant to meet customers needs and wishes for new products in which the industry is leaning, the upper management has lost its grip on production, parts management and the overall health of the company is declining due to low morale.

The facts above are genuine and one of the reason for us to establish Power Electronics. We sincerely believe that when our advertising begins and we have sufficient product inventory, that the market will start to shift our way. We have the backing of our parent company, PowerOhm Resistors, Inc. to proceed as we see necessary based on customer demand for new products as well as our current products.

The initial staff for Power Electronics is very detail oriented and skilled in the areas of successful business practices. Committed, organized and customer oriented personnel who design, manufacture, repair and offer quality products that the industry needs, are keys to our success.

5.1 Competitive Edge

Our competitive edge is simple. Companies will buy our product because the products they have come to trust and request were designed and developed by the two engineers who are now with Power Electronics. Combined with this is the customer service we are known for. Basically, the 3 individuals involved with starting Power Electronics are the same three people that formed a great team at previous employment.

5.2 Marketing Strategy

Marketing Strategy includes being announced or advertised on the PowerOhm Resistors Web Page, word of mouth from their sales personnel, and of course, making calls to prospective and loyal customers.

The uniqueness of Power Electronics combining or becoming a division of PowerOhm Resistors, is that our products compliment each other. The majority of applications will require a resistor (PowerOhm) with a transistor module(Power Electronics).

5.3 Sales Strategy

This section can best be summarized by the relationships we acquired over the last several years. Our reputations on providing excellent customer service, technical expertise in engineering consultations and vast knowledge about how the applications "really work". We are able to communicate in simple, strait forward terms that the customers can understand.

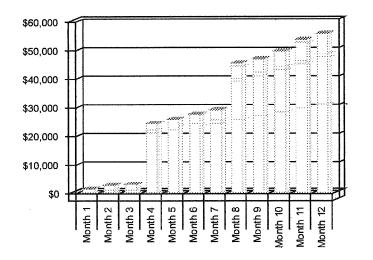
The products are a necessity in most applications involving AC Variable Frequency Drives. Sometimes these needs are overlooked until the processes are started for the first time and require equipment immediately to avoid deadlines and start-up fines.

5.3.1 Sales Forecast

Table: Sales Forecast

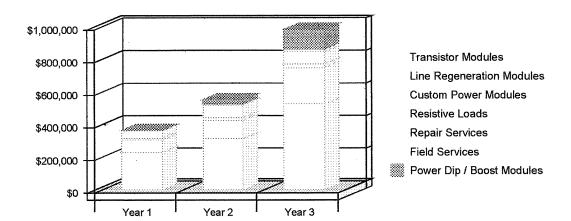
Sales Forecast		٠, ٥	
11-14 O-1	Year1	Year 2	Year 3
Unit Sales	440	450	050
Transistor Modules	110	150	.250
Line Regeneration Modules	17	25	50
Custom Power Modules	12	15	20
Resistive Loads	145	250	250
Repair Services	7	25	50
Field Services	2	2	2
Power Dip / Boost Modules	0	2	10
Total Unit Sales	292	469	632
Unit Prices	Year 1	Year 2	Year3
Transistor Modules	\$2,100.00	\$2,100.00	\$2,100.00
Line Regeneration Modules	\$4,500.00	\$4,500.00	\$4,500.00
Custom Power Modules	\$1,100.00	\$1,100.00	\$1,100.00
Resistive Loads	\$300.00	\$300.00	\$300.00
Repair Services	\$300.00	\$300.00	\$300.00
Field Services	\$1,000.00	\$1,000.00	\$1,000.00
Power Dip / Boost Modules	φ1,000.00	\$1,000.00	\$12,000.00
Fower Dip/ Boost Woudles	\$0.00	\$12,000.0	\$12,000.0
		U	U
Sales			
Transistor Modules	\$231,558	\$315,000	\$525,000
Line Regeneration Modules	\$74,5 9 6	\$112,500	\$225,000
Custom Power Modules	\$12,724	\$16,500	\$22,000
Resistive Loads	\$43,503	\$75,000	\$75,000
Repair Services	\$2,100	\$7,500	\$15,000
Field Services	\$2,000	\$2,000	\$2,000
Power Dip / Boost Modules	- \$0	\$24,000	-\$120,000
Total Sales	\$366,480	\$552,500	\$984,000
Direct Unit Costs	Year 1	Year 2	Year 3
Transistor Modules	\$525.00	\$525.00	\$525.00
Line Regeneration Modules	\$1,350.00	\$1,350.00	\$1,350.00
Custom Power Modules	\$275.00	\$275.00	\$275.00
Resistive Loads	\$105.00	\$105.00	\$105.00
Repair Services	\$30.00	\$30:00	\$30.00
Field Services	\$50.00	\$50.00	\$50.00
Power Dip / Boost Modules	\$0.00	\$4,200.00	\$4,200.00
•	42.50	,	,
Direct Cost of Sales	657 000	#70 7F0	£434 250
Transistor Modules	\$57,889	\$78,750	\$131,250
Line Regeneration Modules	\$22, 3 79	\$33,750	\$67,500
Custom Power Modules	\$3,181	\$4,125	\$5,500
Resistive Loads	\$15,226	\$26,250	\$26,250
Repair Services	\$210	\$750	\$1,500
Field Services	\$100	\$100	\$100
Power Dip / Boost Modules	\$0_	\$8,400	\$42,000
Subtotal Direct Cost of Sales	\$98,985	\$152,125	\$274,100

Sales Monthly



Transistor Modules
Line Regeneration Modules
Custom Power Modules
Resistive Loads
Repair Services
Field Services
Power Dip / Boost Modules

Sales by Year



Engineering Services: ENGD (Design), ENGOS (On-Site)

Documentation Number Scheme:

Example: TT-MN-ddmmyyy-RevX-ddmmyyy

Where: TT = Type of Documentation (BR - Brochure, IM - Installation Manual, DGX - Drawing(Where X = W - Wiring, B - Block Diagram, O - Outline, F - Fabrication, M - Metal Work)), MN = Module Number (From Part Number Scheme), ddmmyyy = Original date generated, RevX = Revision(X = number or letter), ddmmyyy = Revision date.

Manufacturing Database:

Install manufacturing database, cad software, and create inventory scheme in preparation for production.

Office Supplies and Test Equipment:

Requisition office supplies, office equipment, test equipment, tools and material handling equipment.

Quotes / Sales Database:

Used to track active quotes, Purchase Orders and Sales Orders, Ship to, Bill to and Customer / Contact info and parts / qty ordered. Order Acknowledgement and Packing Slip generation as well as quote fax forms will be available in this database.

Create Shunt Cross Reference:

Establish cross reference for Rockwell/AB shunt modules. PowerOhm will be responsible for UL/CSA approval which will generate immediate sales.

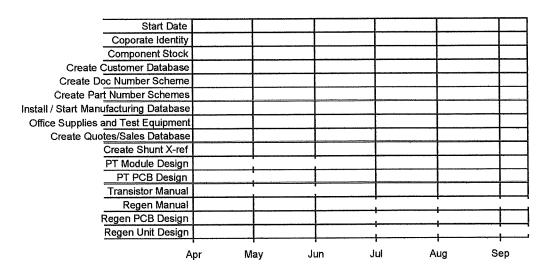
Power Transistor & Line Regen Modules:

Engineering will design circuit, create PCB, and construct modules for new power transistor and regen module lines. Manuals will be developed in conjunction with design for accuracy of literature.

Table: Milestones

Milestones					
Milestone	Start Date	End Date	Budget	Manager	Departmen t
Start Date	4/1/2006	4/14/2006	\$0		
Coporate Identity	4/1/2006	4/14/2006	\$26,500	MLR	Admin
ComponentStock	4/3/2006	4/21/2006	\$13,000	TWO	ENG
Create Customer Database	4/3/2006	4/7/2006	\$0	MLR	Admin
Create Doc Number Scheme	4/3/2006	4/14/2006	\$0	MLR/TAA/ TWO	ALL
Create Part Number Schemes	4/3/2006	4/14/2006	\$0	MLR/TAA/ TWO	ALL
Install / Start Manufacturing Database	4/3/2006	4/4/2006	\$4,000	MLR/TAA/ TWO	ALL
Office Supplies and Test Equipment	4/3/2006	4/21/2006	\$15,500	MLR	Admin
Create Quotes/Sales Database	4/10/2006	4/14/2006	\$0	MLR	Admin
Create Shunt X-ref	4/10/2006	4/21/2006	\$0	MLR/TAA/ TWO	ALL
PT Module Design	4/10/2006	6/23/2006	\$0	TAA/TWO	ENG
PT PCB Design	4/10/2006	5/12/2006	\$0	TAA/TWO	ENG
Transistor Manual	4/10/2006	6/23/2006	\$300	MLR/TAA/ TWO	ALL
Regen Manual	6/26/2006	9/15/2006	\$300	TAA/TWO	ENG
Regen PCB Design	6/26/2006	8/24/2006	\$0	TAA/TWO	ENG
Regen Unit Design Totals	6/26/2006	9/15/2006	\$0 \$59,600	TAA/TWO	ENG

Milestones



6.0 Management Summary

Power Electronics has 3 employees, with a future need of 4 more personnel.

Initially, product design, manufacturing, testing and all other tasks can be handled by the 3 founders. Once products have been established and sales generated, we would like to bring on a manufacturing team comprised of board assembly, product assembly and quality assurance personnel. We would expect the additional 4 personnel to be within the first 18 months of operation.

6.1 Personnel Plan

We plan on initiating this company with 3 employees. The growth of the company will be determined by how accurately and efficiently the company is able to implement the facets of this business plan.

Each member of the team is highly valued; everyone is expected to have opinions, as it is a team that will make this company excel. It is the mission of the company to employ people who are committed to a high standard of excellence, who thrive on a team atmosphere, and who have outstanding people skills. This idealism is represented by the current staff, and will continue to be the guideline by which new team members are hired.

Table:	Personnel
--------	-----------

Personnel Plan	-		
	Year 1	Year2	Year 3
Sales	\$65,004	\$66,950	\$70,297
Engineering	\$105,000	\$108,150	\$113,550
Board Assembly	\$0	\$25,000	\$26,250
Module Assembly	\$0	\$25,000	\$26,250
Quality Assurance	\$O	\$0	\$35,000
Production	\$65,004	\$66,950	\$70,297
Total People	3	5	6
Total Payroll	\$235,008	\$292,050	\$341,644

7.0 Financial Plan

Although we are treating the business as a start-up company, the financial plan is solidly based on past performance. We projected income based on actual past performance with a very conservative edge.

We approached the financial planning from a conservative standpoint, and based those numbers on achievable gross margins. Sales will increase significantly once the products are defined and inventory established allowing for fast delivery that customers want.

7.1 Start-up Funding

The start-up funding listed will be secured or obtained by PowerOhm Inc. The amount of \$158,000 will be used to cover startup and cash flow. This amount may not be required at startup but will most likely be needed to fund monthly expenditures until sufficient profits are obtained.

Table: Start-up Funding	
Start-up Funding Start-up Expenses to Fund Start-up Assets to Fund Total Funding Required	\$28,000 \$140,000 \$168,000
Assets Non-cash Assets from Start-up Cash Requirementsfrom Start-up Additional Cash Raised Cash Balance on Starting Date Total Assets	\$30,000 \$110,000 \$0 \$110,000 \$140,000
Liabilities and Capital	
Liabilities Current Borrowing Long-term Liabilities Accounts Payable (Outstanding Bills) Other Current Liabilities (interest- free) Total Liabilities	\$28,000 \$130,000 \$0 \$0 \$158,000
Capital	
Planned Investment Owner Investor Additional Investment Requirement Total Planned Investment	\$0 \$0 \$10,000 \$10,000
Loss at Start-up (Start-up Expenses) Total Capital	(\$28,000) (\$18,000)
Total Capital and Liabilities	\$140,000
Total Funding	\$168,000

7.2 Important Assumptions

The table below presents the assumptions used in the financial calculations of this business plan.

7.3 Break-even Analysis

For our break-even analysis, we assume running costs of approximately \$25,000 per month, which includes our full payroll, rent, and utilities.

We will monitor gross margins very closely, and maintain them at or above 49% by taking advantage of all promotions and discounts offered by our manufacturers.

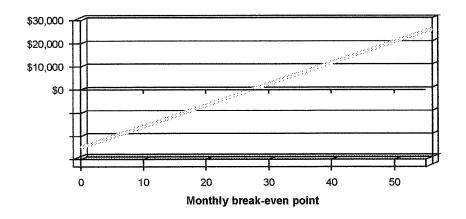
The chart shows that we need to sell about \$34,246 per month to break even. According to these assumptions, this is about 80% of our projected sales for our first year.

Most of the first years expenses will be incurred as Engineering expenses to design new product. Once these products are on the market, the profit margin increases per module.

Table: Break-even Analysis

Break-even Analysis	
Monthly Units Break-even Monthly Revenue Break-even	27 \$34,246
Assumptions:	
Average Per-Unit Revenue	\$1,255.07
Average Per-Unit Variable Cost	\$338.99
Estimated Monthly Fixed Cost	\$24,997

Break-even Analysis



Break-even point = where line intersects with 0

7.4 Projected Profit and Loss

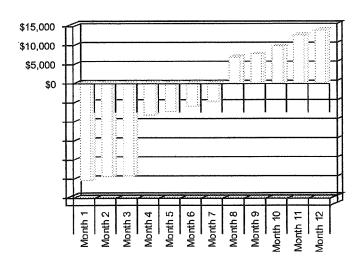
Our Pro Forma Profit and Loss statement was constructed from a conservative point-of-view, and is based in large part on past performance. By creating reliable products, and re establishing our customer relationships, we will widen our customer base and increase sales.

Month-to-month assumptions for profit and loss are included in the appendix.

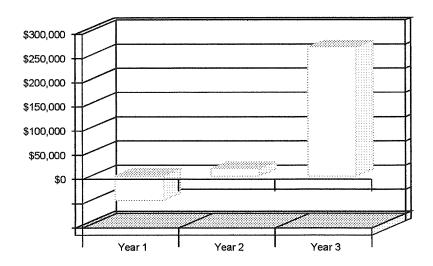
Table: Prof	it and Loss
-------------	-------------

Pro Forma Profit and Loss			
	Year 1	Year 2	Year 3
Sales	\$366,480	\$552,500	\$984,000
Direct Costs of Goods	\$98,985	\$152,125	\$274,100
Other Costs of Goods	\$2,400	\$3,000	\$5,000
Cost of Goods Sold	\$101,385	\$155,125	\$279,100
Gross Margin	\$265,095	\$397,375	\$704,900
Gross Margin %	72.34%	71.92%	71.64%
Financia de			
Expenses	#00F 000	#000 OF0	0044 044
Payroll	\$235,008	\$292,050	\$341,644
Marketing/Promotion	\$1,200	\$1,800	\$1,800
Depreciation	\$0 #40,000	\$0	\$0
Rent	\$18,000	\$18,000	\$18,000
Utilities	\$9,600	\$10,000	\$10,000
Insurance	\$0	\$0	\$0
Payroll Taxes	\$35,251	\$43,808	\$51,247
Alarm / Security	\$900	\$900	\$900
Total Operating Expenses	\$299,959	\$366,558	\$423,591
Profit Before Interest and			
Taxes	(\$34,864)	\$30,818	\$281,309
EBITDA	(\$34,864)	\$30,818	\$281,309
Interest Expense	\$15,800	\$15,800	\$15,800
Taxes Incurred	\$0	\$0	\$0
Net Profit	(\$50,664)	\$15,018	\$265,509
Net Profit/Sales	-13.82%	2.72%	26.98%

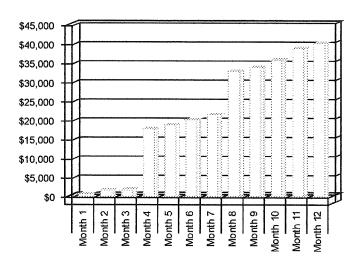
Profit Monthly



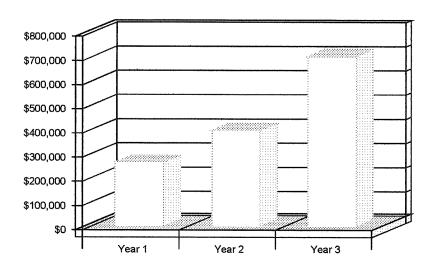
Profit Yearly



Gross Margin Monthly



Gross Margin Yearly

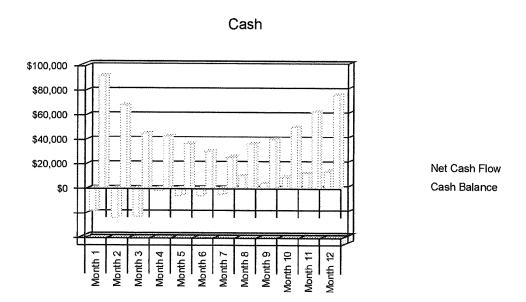


7.5 Projected Cash Flow

The cash flow depends on assumptions for inventory turnover, payment days, and accounts receivable management. Our projected 60-day collection days is not ideal, but it is realistic in this market, and hard for us to effectively change. We're better off planning for it than ignoring it. We need available finances in the first three / four months to get through a cash flow dip as we build up inventory and design products that cover a diversified range of needs.

Table:	Cash	Flow
--------	------	------

Pro Forma Cash Flow	Year1	Year 2	Year 3
Cash Received	Year	rear∠	rears
Cash from Operations Cash Sales Subtotal Cash from Operations	\$366,480 \$366,480	\$552,500 \$552,500	\$984,000 \$984,000
Additional Cash Received Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (interest-	\$0	\$0	\$0
free) New Long-term Liabilities Sales of Other Current Assets Sales of Long-term Assets New Investment Received Subtotal Cash Received	\$0 \$0 \$0 \$0 \$0 \$366,480	\$0 \$0 \$0 \$0 \$0 \$552,500	\$0 \$0 \$0 \$0 \$0 \$984,000
Expenditures	Year1	Year 2	Year 3
Expenditures from Operations Cash Spending Bill Payments Subtotal Spent on Operations	\$235,008 \$165,107 \$400,115	\$292,050 \$255,360 \$547,410	\$341,644 \$384,207 \$725,851
Additional Cash Spent Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current	\$0	\$0	\$0
Borrowing Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$0 \$0	\$0 *0	\$0 *0
Dividends Subtotal Cash Spent	\$0 \$400,115	\$0 \$547,410	\$0 \$725,851
Net Cash Flow Cash Balance	(\$33,635) \$76,365	\$5,090 \$81,455	\$258,149 \$339,603



7.6 Projected Balance Sheet

Our Projected Balance Sheet shows we will not have any difficulty meeting our debt obligations as long as our revenue projections are met.

Table: Balance Sheet

Pro Forma Balance Sheet	Year 1	Year 2	Year 3
Assets	, cui i	rear 2	rearo
Current Assets			
Cash	\$76,365	\$81,455	\$339,603
Inventory	\$15,456	\$23,753	\$42,799
Other Current Assets	\$11,000	\$11,000	\$11,000
Total Current Assets	\$102,821	\$116,208	\$393,402
Long-term Assets			
Long-term Assets	\$9,000	\$9,000	\$9,000
9			
Accumulated Depreciation	\$0 \$0	\$0 *0.000	\$0
Total Long-term Assets	\$9,000	\$9,000	\$9,000
Total Assets	\$111,821	\$125,208	\$402,402
Liabilities and Capital	Year 1	Year 2	Year 3
Current Liabilities			
Accounts Payable	\$22,485	\$20,855	\$32,539
Current Borrowing	\$28,000	\$28,000	\$28,000
Other Current Liabilities	\$0	\$0	\$0
Subtotal Current Liabilities	\$50,485	\$48.855	\$60,539
	700,.00	*,	****
Long-term Liabilities	\$130,000	\$130,000	\$130,000
Total Liabilities	\$180,485	\$178,855	\$190,539
Paid-in Capital	\$10,000	\$10,000	\$10,000
Retained Earnings	(\$28,000)	(\$78,664)	(\$63,647)
Earnings	(\$50,664)	\$15,018	\$265,509
Total Capital	(\$68,664)	(\$53,647)	\$211,863
Total Liabilities and	(\$00,004)	(\$55,047)	Ψ211,003
Capital	\$111,821	\$125,208	\$402,402
Net Worth	(\$68,664)	(\$53,647)	\$211,863

7.7 Business Ratios

Tab	Ratios

Ratio Analysis				Industry
	Year 1	Year2	Year 3	Profile
Sales Growth	0.00%	50.76%	78.10%	9.55%
Percent of Total Assets				
Inventory	13.82%	18.97%	10.64%	33.73%
Other Current Assets	9.84%	8.79%	2.73%	27.26%
Total Current Assets	91.95%	92.81%	97.76%	78.19%
Long-term Assets	8.05%	7.19%	2.24%	21.81%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	45.15%	39.02%	15.04%	36.84%
Long-term Liabilities	116.26%	103.83%	32.31%	12.70%
Total Liabilities	161.41%	142.85%	47.35%	49.54%
Net Worth	-61.41%	-42.85%	52.65%	50.46%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	72.34%	71.92%	71.64%	36.52%
Selling, General & Administrative Expenses	86.16%	69.20%	44.65%	14.25%
Advertising Expenses	0.00%	0.00%	0.00%	0.67%
Profit Before Interest and Taxes	-9.51%	5.58%	28.59%	6.64%
Main Ratios				
Current	2.04	2.38	6.50	1.84
Quick	1.73	1.89	5.79	0.80
Total Debt to Total Assets	161.41%	142.85%	47.35%	53.60%
Pre-tax Return on Net Worth	73.79%	-27.99%	125.32%	8.75%
Pre-tax Return on Assets	-45.31%	11.99%	65.98%	18.86%
Additional Ratios	Year 1	Year2	Year 3	
Net Profit Margin	-13.82%	2.72%	26.98%	n.a
Return on Equity	0.00%	0.00%	125.32%	n.a
Activity Ratios				
Inventory Turnover	9.71	7.76	8.24	n.a
Accounts Payable Turnover	8.34	12.17	12.17	n.a
Payment Days	27	31	25	n.a
Total Asset Turnover	3,28	4.41	2.45	n.a
Debt Ratios				
Debt to Net Worth	0.00	0.00	0.90	n.a
Current Liab. to Liab.	0.28	0.27	0.32	n.a
Liquidity Ratios				
Net Working Capital	\$52,336	\$67,353	\$332,863	n.a
Interest Coverage	-2.21	1.95	17.80	n.a
AdditionalRatios				
Assets to Sales	0.31	0.23	0.41	n.a
Current Debt/Total Assets	45%	39%	15%	n.a
Acid Test	1.73	1.89	5.79	n.a
Sales/Net Worth	0,00	0.00	4.64	n.a
Dividend Payout	0.00	0.00	0.00	n.a

		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Unit Sales													1
Transistor Modules	%0	0	0	0	10	7	1	12	12	13	13	14	15
Line Regeneration Modules	%0	0	0	0	0	0	0	0	ო	ო	က	ო	4
Custom Power Modules	%0	0	•	•	•	-	-	•	•	•	-	-	•
Resistive Loads	%0	သ	9	7	80	တ	10	12	13	15	18	20	23
Repair Services	%0	0	0	0	0	0	-	-	•		τ-	-	•
Field Services	%0	0	0	0	0	0	0	0	•	0	0	τ-	0
Power Dip / Boost Modules	%0	0 4	10	0 •	0 0	ဝ ငွ	- 6	0 40	၀ င္ပ	o (0 92	0 1	0 \$
Total Offic Sales		O	•	0	2	07	52	C7	32	5	95	4	44
Unit Prices		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Transistor Modules		\$2,100.00	\$2,100.00	\$2,100.00	\$2,100.00	\$2,100.00	\$2,100.00	\$2,100.00	\$2,100.00	\$2,100.00	\$2,100.00	\$2,100.00	\$2,100.00
Line Regeneration Modules		\$4,500.00	\$4,500.00	\$4,500.00	\$4,500.00	\$4,500.00	\$4,500.00	\$4,500.00	\$4,500.00	\$4,500.00	\$4,500.00	\$4,500.00	\$4,500.00
Custom Power Modules		\$1,100.00	\$1,100.00	\$1,100.00	\$1,100.00	\$1,100.00	\$1,100.00	\$1,100.00	\$1,100.00	\$1,100.00	\$1,100.00	\$1,100.00	\$1,100.00
Resistive Loads		\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00
Field Services		\$300.00 \$1,000.00	\$300.00 64 000 00	\$300.00 \$4,000.00	4300.00	\$300.00	\$300.00	#300.00 #1 000.00	\$300.00	\$300.00	\$300.00	\$1,000,00	\$300.00
Power Dip / Boost Modules		\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00
90 00 00													
Transistor Modules		G	₩	Ç	\$31,000	\$22.050	\$22.153	\$27.34D	\$25 526	\$26 AU2	\$28 142	\$29 549	\$31,027
line Receneration Modules		€	S S	€ •	000°;	000,220	05°	C.F.	\$13,520	\$14.175	\$14 884	\$15,628	\$16.409
Custom Power Modules		9	\$1,100	\$1.111	\$1.122	\$1,133	\$1.145	\$1.156	\$1,168	\$1,179	\$1.191	\$1.203	\$1.215
Resistive Loads		\$1,500	\$1,725	\$1,984	\$2,281	\$2,624	\$3,017	\$3,470	\$3,990	\$4,589	\$5,277	\$6,068	\$6,979
Repair Services		\$0	0\$	0\$	0\$	80	\$300	\$300	\$300	\$300	\$300	\$300	\$300
Field Services		20	80	S S	\$0	80	\$0	\$0	\$1,000	20	\$ 0	\$1,000	\$0
Power Dip / Boost Modules		80	G .	8	8	80	0\$	80	8	80	9	8	08
Total Sales		\$1,500	\$2,825	\$3,095	\$24,403	\$25,807	\$27,614	\$29,236	\$45,483	\$47,045	\$49,794	\$53,748	\$55,930
Direct Unit Costs		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Transistor Modules	25.00%	\$525.00	\$525.00	\$525.00	\$525.00	\$525.00	\$525.00	\$525.00	\$525.00	\$525.00	\$525.00	\$525.00	\$525.00
Line Regeneration Modules	30.00%	\$1,350.00	\$1,350.00	\$1,350.00	\$1,350.00	\$1,350.00	\$1,350.00	\$1,350.00	\$1,350.00	\$1,350.00	\$1,350.00	\$1,350.00	\$1,350.00
Custom Power Modules	25.00%	\$275.00	\$275.00	\$275.00	\$275.00	\$275.00	\$275.00	\$275.00	\$275.00	\$275.00	\$275.00	\$275.00	\$275.00
Resistive Loads	35.00%	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00
Kepair Services	10.00%	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00
Field Services Power Dip / Boost Modules	35.00%	\$20.00	\$4 200.00	\$4 200.00	\$20.00	\$20.00	\$4 200 00	\$4 200 00	\$50.00 \$4.200.00	\$4 200 00	\$4 200 00	\$20.00	\$20.00
	2000	00.00	200	20.002,12	20.50	200	7,7	2,000		20.00	20:00=/-	20.5	
Direct Cost of Sales		é	é	é	000	6	11	0.00	6	4	920 24	7007	727 767
Transistor Modules		9 6	Q 6	9 6	007'00	40,013	90/'00	0/0'08	90,50	96,700 64.253	9/,035 8/ /85	/00°, /4	47,73
Custom Power Modules		9 6	\$275	\$278	\$281	\$283	\$286	\$289	\$292	\$295	\$298	\$301	\$304
Resistive Loads		\$525	\$604	8694	85798	\$918	\$1056	\$1 214	\$1.397	\$1,606	\$1 847	\$2 124	\$2 443
Repair Services		800	80	09	98	98	830	\$30	\$30	088	\$30	830	\$30
Field Services		\$0	\$0	QS S	0\$	0\$	S	8	\$50	\$0	\$0	\$50	80
Power Dip / Boost Modules		\$0	\$0	\$0	\$0	0\$	80	\$0	90 80	\$0	\$0	\$	\$0
Subtotal Direct Cost of Sales		\$525	\$879	\$972	\$6.329	\$6 714	\$7.160	\$7,611	\$12.200	\$12 AB4	\$13 675	611 580	815 AEG

Appendix Table: Sales Forecast

Appendix Table: Personnel

Personnel Plan													
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Sales	%0	\$5,417	\$5,417	\$5,417	\$5,417	\$5,417	\$5,417	\$5,417	\$5,417	\$5,417	\$5,417	\$5,417	\$5,417
Engineering	%0	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750
Board Assembly	%0	0\$	80	\$0	\$0	\$0	\$0	\$0	8	S	OS S	g S	8
Module Assembly	%0	\$0	80	80	\$0	\$0	0\$	\$0	8	\$	OS S	Ç	8
Quality Assurance	%0	\$0	\$0	90	\$0	\$0	\$0	\$0	\$	æ	O\$	Q	\$0
Production	%0	\$5,417	\$5,417	\$5,417	\$5,417	\$5,417	\$5,417	\$5,417	\$5,417	\$5,417	\$5,417	\$5,417	\$5,417
Total People		ო	က	ო	m	ო	ო	m	ო	ო	n	ო	ო
Total Payroll		\$19,584	\$19,584	\$19,584	\$19,584	\$19,584	\$19,584	\$19,584	\$19,584	\$19,584	\$19,584	\$19,584	\$19,584

Pro Forma Profit and Loss Sales Direct Costs of Goods		Month 1 \$1,500 \$525	Month 2 \$2,825 \$879	Month 3 \$3,095 \$972	Month 4 \$24,403 \$6,329	Month 5 \$25,807 \$6,714	Month 6 \$27,614 \$7,160	Month 7 \$29,236 \$7,611	Month 8 \$45,483 \$12,200	Month 9 \$47,045 \$12,884	Month 10 \$49,794 \$13,675	0 +:-	Month 11 \$53,748 \$14,580
Other Costs of Goods		\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200		\$200	
Cost of Goods Sold		\$725	\$1,079	\$1,172	\$6,529	\$6,914	\$7,360	\$7,811	\$12,400	\$13,084		\$13,875	
Gross Margin Gross Margin %		\$775 51.67%	\$1,746 61.81%	\$1,923 62.13%	\$17,874 73.25%	\$18,893 73.21%	\$20,254 73.35%	\$21,425 73.28%	\$33,083 72.74%	\$33,961 72.19%	₩ <u>~</u>	\$35,918 72.13%	
Expenses Pavmli		\$19.584	\$19.584	59.584	\$19.584	\$19.584	\$19.584	284	819.584	\$19.584	Ġ.	584	
Marketing/Promotion		\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	•	\$100	
Depreciation		0\$	\$0	8	80	8	80	80	80	8		S S	
Rent		\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	83	200	
Utilities		\$800	\$800	2800	\$800	\$800	\$800	\$800	\$800	\$800	↔	800	
Insurance		9 0	9	S S	\$ 0	0 €	0\$	⊗	8	&		8	
Payroll Taxes	15%	\$2,938	\$2,938	\$2,938	\$2,938	\$2,938	\$2,938	\$2,938	\$2,938	\$2,938	\$2,8	938	
Alarm / Security		\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	67	375	
Total Operating Expenses		\$24,997	\$24,997	\$24,997	\$24,997	\$24,997	\$24,997	\$24,997	\$24,997	\$24,997	\$24,997	97	97 \$24,997
Profit Before Interest and Taxes		(\$24,222)	(\$23,250)	(\$23,074)	(\$7,122)	(\$6,104)	(\$4,743)	(\$3,572)	\$8,087	\$8,964	\$10,9	322	
EBITDA		(\$24,222)	(\$23,250)	(\$23,074)	(\$7,122)	(\$6,104)	(\$4,743)	(\$3,572)	\$8,087	\$8,964	\$10.9	922	
Interest Expense		\$1,317	\$1,317	\$1,317	\$1,317	\$1,317	\$1,317	\$1,317	\$1,317	\$1,317	83	317	
TaxesIncurred		\$0	\$0	\$0	80	\$	80	0\$	\$0	\$0		80	
Net Profit		(\$25.538)	(\$24,567)	(\$24,391)	(\$8,439)	(\$7,420)	(\$6,059)	(\$4,888)	\$6,770	\$7,648	89.0	305	
Net Profit/Sales		-1702,55%	-869,63%	-788,13%	-34.58%	-28.75%	-21.94%	-16.72%	14.89%	16.26%	19.29%	×2	23.54%

Appendix Table: Profit and Loss

Pro Forma Cash Flow	Month	No.	444	44.004	3 4444	O HEADY	7 1994	0 44		07	44.00	
Cash Received		WOILU	WOIII 2	WORL 4	C IIIIOM	MOTITION.	None	MORELLO	MOUNT S	Month	I I III III III III III III III III II	MORE 12
Cash from Operations Cash Sales Subtotal Cash from Operations	\$1,500 \$1,500	\$2,825 \$2,825	\$3,095 \$3,095	\$24,403 \$24,403	\$25,807 \$25,807	\$27,614 \$27,614	\$29,236 \$29,236	\$45,483 \$45,483	\$47,045 \$47,045	\$49,794 \$49,794	\$53,748 \$53,748	\$55,930 \$55,930
Additional Cash Received Sales Tax, VAT, HST/GST Received New Current Borrowing New Other Liabilities (inferest-free) New Long-term Liabilities Sales of Other Current Assets Sales of Cher Emm Assets Sales of Long-term Assets New Investment Received Subtotal Cash Received	% 80 80 80 80 80 80 80 80 80 80 80 80 80	\$0 \$0 \$0 \$2,825	\$3,095 \$3,095	\$0 \$0 \$0 \$0 \$0 \$0 \$24,403	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$14	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$	88 88 89 89 89 89 89 89 89 89 89 89 89 8	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$
Expenditures	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Expenditures from Operations Cash Spending Bill Payments Subtotal Spent on Operations	\$19,584 \$231 \$19,815	\$19,584 \$6,929 \$26,513	\$19,584 \$6,929 \$26,513	\$19,584 \$7,097 \$26,681	\$19,584 \$12,032 \$31,616	\$19,584 \$14,045 \$33,629	\$19,584 \$14,551 \$34,135	\$19,584 \$15,282 \$34,866	\$19,584 \$23,611 \$43,195	\$19,584 \$20,527 \$40,111	\$19,584 \$21,430 \$41,014	\$19,584 \$22,443 \$42,027
Additional Cash Spent Sales Tax, VAT, HST/GST Paid Out Principal Repayment of Current Borrowing	0\$	0\$ 0\$	Q Q	S S	0\$	0\$	0\$	08	0\$	0\$	0\$	0\$
Other Liabilities Principal Repayment Long-term Liabilities Principal Renayment	G G	G G	Q Q	G S	O\$ O\$	O O O	O	G G	G G	O\$ O\$	G G	0\$ 80
Purchase Other Current Assets Purchase Long-term Assets Dividends Subtotal Cash Spent	\$0 \$0 \$0 \$19,815	\$0 \$0 \$0 \$26,513	\$0 \$0 \$0 \$26,513	\$0 \$0 \$0 \$26,681	\$0 \$0 \$0 \$31,616	\$0 \$0 \$33,629	\$0 \$0 \$0 \$34,135	\$0 \$0 \$34,866	\$0 \$0 \$0 \$43,195	\$0 \$0 \$0 \$40,111	\$0 \$0 \$0 \$41,014	\$0 \$0 \$0 \$42,027
Net Cash Flow Cash Balance	(\$18,315) \$91,685	(\$23,688) \$67,997	(\$23,419) \$44,578	(\$2,278) \$42,301	(\$5,809) \$36,492	(\$6,015) \$30,476	(\$4,899) \$25,577	\$10,618 \$36,195	\$3,850 \$40,045	\$9,683 \$49,728	\$12,734 \$62,462	\$13,903 \$76,365

Appendix Table: Cash Flow

Pro Forma Balance Sheet		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Assets	Starting Balances		4										7
Current Assets Cash Inventory	\$110,000 \$10,000	\$91,685 \$9,475	\$67,997 \$8,596	\$44,578 \$7,624	\$42,301 \$6,329	\$36,492 \$6,714	\$30,476	\$25,577 \$7,611	\$36,195 \$12,200	\$40,045 \$12,884	\$49,728 \$13,675	\$62,462 \$14,580	\$76,365 \$15,456
Other Current Assets Total Current Assets	\$11,000 \$131,000	\$11,000 \$112,160	\$11,000 \$87,593	\$11,000	\$11,000 \$59,630	\$11,000 \$54,206	\$11,000 \$48,637	\$11,000 \$44,188	\$11,000 \$59,395	\$11,000 \$63,929	\$11,000 \$74,403	\$11,000 \$88,043	\$11,000 \$102,821
Long-term Assets Long-term Assets Accumulated Depreciation	000'6\$	000'6\$	000'6\$	000'6\$	000'6\$	000'6\$	000'6\$	000'6\$	000'6\$	000'6\$	000'6\$ \$0.000	000'6\$	000'6\$
Total Long-term Assets Total Assets	\$9,000 \$140,000	\$9,000 \$121,160	\$9,000 \$96,593	\$9,000	\$68,630	\$9,000	\$9,000	\$9,000 \$53,188	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000
Liabilities and Capital		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Current Liabilities Accounts Payable	0\$	\$6,698	\$6,698	\$6,698	\$11,564	\$13,561	\$14,051	\$14,491	\$22,927	\$19,814	\$20,683	\$21,667	\$22,485
Current Borrowing Other Current Liabilities	\$28,000 \$0	\$28,000 \$0	\$28,000 \$0	\$28,000 \$0	\$28,000 \$0	\$28,000	\$28,000	\$28,000	\$28,000 \$0	\$28,000 \$0	\$28,000	\$28,000 \$0	\$28,000 \$0
Subtotal Current Liabilities	\$28,000	\$34,698	\$34,698	\$34,698	\$39,564	\$41,561	\$42,051	\$42,491	\$50,927	\$47,814	\$48,683	\$49,667	\$50,485
Long-term Liabilities	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000
Total Liabilities	\$158,000	\$164,698	\$164,698	\$164,698	\$169,564	\$171,561	\$172,051	\$172,491	\$180,927	\$177,814	\$178,683	\$179,667	\$180,485
Paid-in Capital	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Retained Earnings	(\$28,000)	(\$28,000)	(\$28,000)	(\$28,000)	(\$28,000)	(\$28,000)	(\$28,000)	(\$28,000)	(\$28,000)	(\$28,000)	(\$28,000)	(\$28,000)	(\$28,000)
Earnings Total Conital	9000	(\$25,538)	(\$50,105)	(\$74,496)	(\$82,935)	(\$90,355)	(\$96,415)	(\$101,303)	(\$94,533)	(\$86,885)	(\$77,280)	(\$64,625)	(\$50,664)
Total Liabilities and Capital	\$140,000	\$121,160	(\$56,103) \$96,593	\$72,202	(\$100,933) \$68,630	\$63,206	\$57,637	(\$119,505) \$53,188	(\$1.12,333) \$68,395	(\$104,003) \$72,929	\$83,403	\$97.043	\$111.821
Net Worth	(\$18,000)	(\$43,538)	(\$68,105)	(\$92,496)	(\$100,935)	(\$108,355)	(\$114,415)	(\$119,303)	(\$112,533)	(\$104,885)	(\$95,280)	(\$82,625)	(\$68,664)

Appendix Table: Balance Sheet

Dry Forms Dryft and Loca	-												
רוט ויטווים רוטווים וויט בטאא													
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Sales		\$1,500	\$2,825	\$3.095	\$24.403	\$25.807	\$27.614	\$29 236	\$45.483	\$47.045	849 794	\$53 74R	\$55 930
Direct Costs of Goods		\$525	\$879	\$972	\$6,329	\$6 714	87.160	\$7.611	\$12.200	\$12 RR4	\$13,675	814 580	\$15.45B
Other Costs of Goods		\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
					an Annual Control of the Control of								
Cost of Goods Sold		\$725	\$1,079	\$1,172	\$6,529	\$6,914	\$7,360	\$7,811	\$12,400	\$13,084	\$13,875	\$14,780	\$15,656
Gross Margin		\$775	\$1.746	\$1.923	\$17.874	\$18.893	\$20.254	\$21.425	\$33 083	\$33.961	\$35.918	838 968	\$40.274
Gross Margin %		51.67%	61.81%	62.13%	73.25%	73.21%	73.35%	73.28%	72.74%	72.19%	72.13%	72.50%	72.01%
Expenses													
Payroll		\$19,584	\$19,584	\$19,584	\$19,584	\$19,584	\$19,584	\$19,584	\$19,584	\$19,584	\$19,584	\$19.584	\$19,584
Marketing/Promotion		\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Depreciation		80	90 80	\$0	90 80	\$0	80	80	\$0	9	80	80	90
Rent		\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Utilities		\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800
Insurance		S S	\$0	\$0	оş	\$0	8	S S	\$0	\$0	\$0	80	\$
Payroll Taxes	15%	\$2,938	\$2,938	\$2,938	\$2,938	\$2,938	\$2,938	\$2,938	\$2,938	\$2,938	\$2,938	\$2,938	\$2,938
Alarm / Security		\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75
Total Operating Expenses		\$24,997	\$24,997	\$24,997	\$24,997	\$24,997	\$24,997	\$24,997	\$24,997	\$24,997	\$24,997	\$24,997	\$24,997
Profit Before Interest and Taxes		(\$24,222)	(\$23,250)	(\$23,074)	(\$7,122)	(\$6,104)	(\$4,743)	(\$3,572)	\$8,087	\$8,964	\$10,922	\$13,971	\$15,277
EBILDA		(\$24,222)	(\$23,250)	(\$23,074)	(\$7,122)	(\$6,104)	(\$4,743)	(\$3,572)	\$8,087	\$8,964	\$10,922	\$13,971	\$15,277
Interest Expense		\$1,31	\$1,31/	\$1,317	\$1,317	\$1,317	\$1,317	\$1,317	\$1,317	\$1,317	\$1,317	\$1,317	\$1,317
laxesIncurred		\$0	80	\$0	\$0	0\$	0\$	0\$	0\$	0\$	\$0	80	\$0
Net Profit		(\$25,538)	(\$24,567)	(\$24,391)	(\$8,439)	(\$7,420)	(\$6,059)	(\$4,888)	\$6,770	\$7,648	\$9,605	\$12,655	\$13,961
Net Profit/Sales		-1702.55%	-869.63%	-788.13%	-34.58%	-28.75%	-21.94%	-16.72%	14.89%	16.26%	19.29%	23.54%	24.96%

Appendix Table: Profit and Loss

Pro Forma Cash Flow Cash Received	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Cash from Operations Cash Sales Subtotal Cash from Operations	\$1,500 \$1,500	\$2,825 \$2,825	\$3,095 \$3,095	\$24,403 \$24,403	\$25,807 \$25,807	\$27,614 \$27,614	\$29,236 \$29,236	\$45,483 \$45,483	\$47,045 \$47,045	\$49,794 \$49,794	\$53,748 \$53,748	\$55,930 \$55,930
Additional Cash Received Sales Tax, VAT, HST/GST Received New Current Borrowing New Orther Liabilities (Interest-free) New Long-term Liabilities Sales of Orther Current Assets Sales of Long-term Assets New Investment Received Subtotal Cash Received	0.00% 80 80 80 80 80 80 80 80 80 80 80 80 80	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	89 80 80 80 80 80 80 80 80 80 80 80	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$10 \$10 \$10 \$10	\$29,236	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$
Expenditures	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Expenditures from Operations Cash Spending Bill Payments Subtotal Spent on Operations	\$19,584 \$231 \$19,815	\$19,584 \$6,929 \$26,513	\$19,584 \$6,929 \$26,513	\$19,584 \$7,097 \$26,681	\$19,584 \$12,032 \$31,616	\$19,584 \$14,045 \$33,629	\$19,584 \$14,551 \$34,135	\$19,584 \$15,282 \$34,866	\$19,584 \$23,611 \$43,195	\$19,584 \$20,527 \$40,111	\$19,584 \$21,430 \$41,014	\$19,584 \$22,443 \$42,027
Additional Cash Spent Sales Tax, VAT, HST/GST Paid Out Principal Repayment of Current Borrowing	0\$ \$	0\$	0\$	80 8	& &	\$0	0\$ \$0	Q Q	80	S S	\$ 80	0¢ \$
Other Liabilities Principal Repayment Long-term Liabilities Principal Repayment	0\$	0\$ 0\$	0\$ \$0	0\$ \$0	0\$	0\$	0\$	Q\$ Q\$	0\$	0\$	8 8	Q\$ Q\$
Purchase Other Current Assets Purchase Long-term Assets Dividends Subtotal Cash Spent	\$0 \$0 \$0 \$19,815	\$0 \$0 \$0 \$26,513	\$0 \$0 \$0 \$26,513	\$0 \$0 \$0 \$26,681	\$0 \$0 \$0 \$31,616	\$0 \$0 \$33,629	\$0 \$0 \$0 \$34,135	\$0 \$0 \$34,866	\$0 \$0 \$0 \$43,195	\$0 \$0 \$0 \$40,111	\$0 \$0 \$0 \$41,014	\$0 \$0 \$0 \$42,027
Net Cash Flow Cash Balance	(\$18,315) \$91,685	(\$23,688) \$67,997	(\$23,419) \$44,578	(\$2,278) \$42,301	(\$5,809) \$36,492	(\$6,015)	(\$4,899) \$25,577	\$10,618 \$36,195	\$3,850	\$9,683	\$12,734 \$62,462	\$13,903 \$76,365

Appendix Table: Cash Flow

***************************************	The state of the s	100000000000000000000000000000000000000											
Pro Forma Balance Sheet					The state of the s					20.000			
Assets	Starting Balances	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Current Assets													
Cash	\$110,000	\$91,685	267,997	\$44,578	\$42,301	\$36.492	\$30.476	\$25.577	\$36.195	\$40.045	879 728	\$62.462	\$76 365
Inventory	\$10,000	\$9,475	\$8,596	\$7,624	\$6,329	\$6,714	\$7,160	\$7,611	\$12,200	\$12,884	\$13,675	\$14.580	\$15.456
Other Current Assets Total Current Assets	\$11,000 \$131,000	\$11,000 \$112,160	\$11,000 \$87,593	\$11,000 \$63,202	\$11,000 \$59,630	\$11,000 \$54,206	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000
l ong-term Assets								-) 	2,000	20,20
Long-term Assets	000 6\$	000 6\$	000 68	000 68	000 68	000 00	000 00	000	6	6	0	000	000
Accumulated Depreciation	0\$	08	0\$	80	08	OS.	000°59	000,55	000,84 04	000,ee	000,86	000,84	000,64
Total Long-term Assets	000'6\$	\$9,000	000'6\$	000'6\$	000'6\$	000'6\$	000'6\$	89.000	89.000	28 000	000 68	000 6\$	000 6\$
Total Assets	\$140,000	\$121,160	\$96,593	\$72,202	\$68,630	\$63,206	\$57,637	\$53,188	\$68,395	\$72,929	\$83,403	\$97,043	\$111,821
Liabilities and Capital		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Current Liabilities													
Accounts Payable	80	\$6,698	\$6,698	\$6,698	\$11,564	\$13.561	\$14.051	\$14.491	222,927	\$19.814	\$20 683	\$21,667	\$22 AB5
Current Borrowing	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000
Culei Culfeili Liabiliues	000 000	90,00	0,00	0,00	0	₩	8	9	S S	8	\$0	\$	\$0
Subtotal Current Liabilities	000,82\$	\$34,698	\$34,698	\$34,698	\$39,564	\$41,561	\$42,051	\$42,491	\$50,927	\$47,814	\$48,683	\$49,667	\$50,485
Long-term Liabilities	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000
Total Liabilities	\$158,000	\$164,698	\$164,698	\$164,698	\$169,564	\$171,561	\$172,051	\$172,491	\$180,927	\$177,814	\$178,683	\$179,667	\$180,485
Paid-in Capital	\$10,000	\$10,000	\$10,000	\$10,000	\$10.000	\$10,000	\$10,000	\$10.000	\$10,000	\$10,000	\$10,000	\$10,000	000 014
Retained Earnings	(\$28,000)	(\$28,000)	(\$28,000)	(\$28,000)	(\$28,000)	(\$28,000)	(\$28,000)	(\$28,000)	(\$28,000)	(\$28,000)	(\$28,000)	(\$28,000)	(\$28,000)
Eamings	0\$	(\$25,538)	(\$50,105)	(\$74,496)	(\$82,935)	(\$30,355)	(\$96,415)	(\$101,303)	(\$94,533)	(\$86,885)	(\$77.280)	(\$64,625)	(\$50.664)
Total Capital	(\$18,000)	(\$43,538)	(\$68,105)	(\$92,496)	(\$100,935)	(\$108,355)	(\$114,415)	(\$119,303)	(\$112,533)	(\$104,885)	(\$95,280)	(\$82,625)	(\$68.664)
Total Liabilities and Capital	\$140,000	\$121,160	\$96,593	\$72,202	\$68,630	\$63,206	\$57,637	\$53,188	\$68,395	\$72,929	\$83,403	\$97,043	\$111,821
Net Worth	(\$18,000)	(\$43,538)	(\$68,105)	(\$92,496)	(\$100,935)	(\$108.355)	(\$114,415)	(\$119.303)	(\$112,533)	(\$104 885)	(\$95.280)	(\$82,625)	(\$68,664)
INCL VVOICE	(000,010)	(\$43,000)	(\$08,100)	(\$92,490)	(\$100,935)	(\$108,355)	(\$114,415)	(\$119,303)	(\$112,533)	(\$104,885)	(\$95,280)		(\$82,625)